

TESTIMONY OF A. R. WATTS
FOR
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2004-2-E
IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY
Annual Review of Base Rates for Fuel Costs

Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?

A. A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am employed by The Public Service Commission of South Carolina, Utilities Department, as Chief of Electric.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Electrical Engineering from the University of South Carolina in Columbia in 1976. I was employed at that time by this Commission as a Utilities Engineer in the Electric Department and was promoted to Chief of the Electric Department in August 1981. I have been in my current position since October 1999. I have testified before this Commission in conjunction with fuel clause, complaint, territorial assignment, Siting Act, and general rate proceedings.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize Staff's findings as set forth in the Utilities Department's portion of the Staff Report.

1 **Q. WHAT SPECIFIC AREAS WERE ENCOMPASSED BY**
2 **STAFF'S EXAMINATION?**

3 **A.** The Utilities Department's examination of the Company's fuel operations consisted
4 of a review of the Company's monthly operating reports, as well as a review of the
5 Company's short-term projections of kilowatt-hour sales and fuel costs.

6 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**
7 **THE PERIOD?**

8 **A.** Yes, we reviewed the Company's operation of its generating facilities, including
9 special attention to the nuclear plant operations, to determine if the Company made
10 every reasonable effort to minimize fuel costs.

11 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT**
12 **DETERMINATION THAT THE COMPANY HAS ACTED**
13 **UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY**
14 **CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER**
15 **FUEL COSTS?**

16 **A.** No. The VC Summer Nuclear Station operated very well during this review period,
17 achieving an overall average capacity factor in excess of 87 % which included a
18 complete refueling outage.
19 The Company's nuclear as well as other major units' availability and capacity
20 factors are shown on Utilities Department Exhibit No. 1, while Exhibit Nos. 2A and
21 2B show the Company's nuclear and fossil unit outages for the months of March
22 2003 through February 2004. The Company's fossil plant operations for this review
23 period was adversely affected by shutdowns necessary to accommodate installation
24 of environmental compliance equipment at various units along with outages at the
25 McMeekin Station associated with construction of the new back-up dam for Lake
26 Murray. The majority of these activities have been completed.

27 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**
28 **DEPARTMENT'S EXHIBITS?**

29 **A.** Exhibit No. 3 lists the Company's percentage Generation Mix by fossil, nuclear, and
30 hydro for the period March 2003 through February 2004. Exhibit No. 4 reflects the

1 Company's major plants by name, type of fuel used, average fuel cost in cents per
2 KWH to operate, and total megawatt-hours generated for the twelve months ending
3 February 2004. Exhibit No. 5 shows a comparison of the Company's original retail
4 megawatt-hour estimated sales to the actual sales for the period under review.
5 Exhibit No. 6 is a comparison of the original fuel factor projections to the factors
6 actually experienced for the twelve months ending February 2004. Exhibit No. 7 is a
7 graphical representation of the data in Exhibit No. 6. Exhibit No. 8 is the
8 Company's currently approved Retail Adjustment for Fuel Costs tariff. Exhibit No.
9 9 is a history of the cumulative recovery account. Exhibit No. 10 is a table of
10 estimates for the cumulative recovery account balance for various base level fuel
11 factors for the period ending April 2005 including the cumulative account under-
12 recovery balance through April 2004 of \$17,429,464. This produces an overall
13 recovery factor of 1.954 cents per kilowatt-hour that is estimated to result in an
14 ending period over collected balance of \$30,796. This Exhibit does not include the
15 effect of the possible adjustment to the cumulative recovery account of \$25,618,063
16 referenced in Mr. Hendrix's testimony.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes, it does.